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Knockout Punch for Geneva?Thursday, October
24, 2002**BY STEVEN OBERBECK
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ARTICLE**

Idled workers from the Geneva Steel mill in Vineyard were reeling Wednesday after learning that their company's last likely hope -- \$250 million in financing from Deutsche Bank -- has evaporated.

Geneva, which filed for Chapter 11 bankruptcy reorganization in January, was counting on the loan to fund its rebirth and restore jobs to many of the plant's 1,200 workers laid off since late last year.

"We were afraid this might happen, but it is still devastating to a lot of people," said Kelly Hansen, financial secretary for United Steelworkers of America Local 2701 in Orem. "We hate the idea of losing those jobs."

Geneva wanted the Deutsche Bank loan to repay an existing \$108 million debt and to finance the purchase of a new \$80 million electric arc furnace, allowing the company to melt scrap steel instead of producing the metal from iron ore. Companies that operate electric arc furnaces, known as mini-mills, are among the most profitable in the steel industry.

"Things are looking pretty grim," said Ken Johnsen, Geneva's president. "It is unlikely that we'll be able to find a replacement lender" in time for the company to avoid a liquidation.

The steel maker now faces the unsettling prospect of either finding a buyer for its Utah County plant or selling off its assets piecemeal, processes that already are under way. Geneva's current lenders -- who have allowed the mill to use the money raised from selling its existing inventory to fund its limited operations while in bankruptcy -- required the company to shop its assets as a condition for receiving the interim financing, Johnsen said.

"Through this whole process we've had an obligation to try and sell the plant," Johnsen said. "We have made it known the plant would be and is up for sale, and we've had discussion with people interested in buying."

Although Johnsen declined to say how far along those discussions are, he said the process is just beginning.

The best bet for Geneva's workers is for another company to purchase the plant outright and restart operations, Hansen said.

"But what are the odds of that?" he asked. "You've got dozens of steel makers in bankruptcy across the country. Some of their plants have been purchased, but others are still sitting idle."

The company and Steelworkers Local 2701 intend next week to make one last-ditch push to interest Deutsche Bank in underwriting the loan that would be 85 percent guaranteed by the U.S. government.

Few expect success.

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Independent steel industry analyst Chuck Bradford in New York said Deutsche Bank's pullout did not come as a surprise.

"Geneva's electric arc furnace [plan] was an extraordinarily bad idea," Bradford said. "Utah does not have enough scrap to support even one mini-mill. Nucor Steel operates a mini-mill in Tremonton and they have to import steel scrap from the West Coast to operate."

And Deutsche Bank is not exactly known for its involvement and expertise in the metals industry, he said, "So what you had was Geneva going far afield to try and find financing."

Even banks knowledgeable in the steel industry remain hesitant to extend financing to troubled companies because of lingering concerns about the recent crisis brought about by the flood of low-cost foreign imports, said Nancy Gravatt, spokeswoman for the American Iron and Steel Institute.

"And that is disappointing because steel companies have invested millions in modernizing their operations so they can become competitive," she said. Geneva was one of those companies.

Since 1997, when Geneva chairman Joe Cannon and partner Robert Grow stepped forward to buy the mill and rescue it from USX's scrap heap, the company invested nearly \$400 million to update its facilities.

But the effort produced little payoff for the company's employees, who watched helplessly as Geneva's management threw the mill into Chapter 11 in early 1999 only to repeat the process three years later.

Since getting laid off by Geneva late last year, many of the company's employees have struggled to find new work -- all the while hoping the mill would someday restart.

"There's been a whole mix of experiences," Hansen at Local 2701 said. "Some of our guys were eligible for federal assistance and are going to school and getting retrained. A few have found jobs they are content with, but others have taken jobs they just figured would do until Geneva reopened."

And while the possibility exists that someone may step forward and buy the Utah steel mill, it remains unclear how friendly a potential buyer might be to Geneva's unionized work force.

After Ohio steel maker LTV Corp. filed for bankruptcy, the International Steel Group last year bought the company and negotiated a new contract that paid workers much less than they had been earning.

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